




SO ORDERED.

SIGNED this 10 day of March, 2020.



Joseph N. Callaway
United States Bankruptcy Judge

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
GREENVILLE DIVISION**

IN RE:)	
)	Case No. 19-00730-5-JNC
CAH ACQUISITION COMPANY #1,)	
LLC, d/b/a WASHINGTON COUNTY)	Chapter 11
HOSPITAL, et al.)	
)	
Debtors.)	
)	

**CONSENT ORDER RESOLVING INTERNAL REVENUE
SERVICE'S MOTION TO COMPEL OR, ALTERNATIVELY, TO
CONVERT/DISMISS CASES**

THIS CAUSE comes on to be heard before the Court upon the Motion to Compel Debtors through Trustee to File Pre-Petition Tax Returns and to Pay Delinquent Post-Petition Withholding Taxes or, Alternatively, to Convert/Dismiss such Cases [D.E. 630] filed by the United States Attorney for the Eastern District of North Carolina, on behalf of the Internal Revenue Service ("IRS"). The IRS's motion is set for a hearing before the Court on March 11, 2020. The IRS and the Trustee agreed to resolve this matter on the terms set forth herein, to which the Bankruptcy Administrator has no objection.

After having reviewed the record in this case and with the consent of the parties, the Court HEREBY ORDERS as follows:

1. Chapter 11 bankruptcy petitions were filed in connection with the various Debtors in this jointly administrated case on or after February 19, 2019.¹

Pre-Petition Federal Tax Returns

2. The IRS filed the following proofs of claim in these cases relating to pre-petition taxes owed by Debtors: (a) CAH 1- \$1,611,257.50 [Claim No. 18-2]; (b) CAH 2-\$812,212.50 [Claim No. 8-1]; (c) CAH 3-\$1,129,754.09 [Claim No. 29-3]; (d) CAH 6-\$866,485.75 [Claim No. 4-2]; (e) CAH 7-\$1,118,481.95 [Claim No. 6-3]; (f) CAH 12-\$836,203.78 [Claim No. 54-2]; and (g) CAH 16-\$869,124.58 [Claim No. 11-4]. Nearly all these claims relate to unpaid federal employment taxes and are based on estimates made by the IRS due to unfiled pre-petition returns (the “Pre-Petition Returns”).

3. The Trustee acknowledges that he is responsible for complying with Section 1106(a)(6) of the Bankruptcy Code by furnishing, without personal liability, such information as may be required by the IRS with respect to the Pre-Petition Returns, in light of the condition of the Debtors’ books and records and the availability of such information. To that end, the Trustee will provide copies of all of the Pre-Petition Returns, via overnight mail, to Insolvency Section, Internal Revenue Service, Attn: Debra Harris, 4905 Koger Boulevard, Mail Stop 9, Greensboro, North Carolina 27407, on or before March 20, 2020.

Post-Petition Federal Tax Returns

4. The Trustee acknowledges that he is responsible for ensuring that proper post-petition tax filings are made for the Debtors in these Chapter 11 cases and will provide signed originals of such returns, via overnight mail, to Insolvency Section, Internal Revenue Service, Attn: Debra Harris, 4905 Koger Boulevard, Mail Stop 9, Greensboro, North Carolina 27407, on or before March 20, 2020.

5. On December 26, 2020, the IRS filed administrative claims of

¹The Debtors in these jointly administered cases include: (i) CAH Acquisition Company #1, LLC, Case No. 19-00730-5-JNC (Washington County, NC); (ii) CAH Acquisition Company #2, LLC, Case No. 19-01230-5-JNC (Oswego, KS); (iii) CAH Acquisition Company #3, LLC, Case No. 19-01180-5-JNC (Horton, KS); (iv) CAH Acquisition Company 6, LLC, Case No. 19-01300-5-JNC (I-70 Community Hospital); (v) CAH Acquisition Company 7, LLC, Case No. 19-01298-5-JNC (Prague, OK); (vi) CAH Acquisition Company 12, LLC, Case No. 19-01697-5-JNC (Fairfax, OK); and (vii) CAH Acquisition Company #16, LLC, Case No. 19-01227-5-JNC (Haskell, OK).

\$160,171.84 against CAH 1 [Claim No. 81-1] and of \$26,999.03 against CAH 3 [Claim No. 69-1]. The administrative claims cover delinquent taxes owed for post-petition periods and were computed based on Form 941 returns filed by the Trustee. Based on a review on the records of CAH 1 and CAH 3, the Trustee is considering filing amended Form 941 tax returns for such periods. The Trustee agrees that signed copies of any amended returns shall be sent, via overnight mail, to Insolvency Section, Internal Revenue Service, Attn: Debra Harris, 4905 Koger Boulevard, Mail Stop 9, Greensboro, North Carolina 27407, on or before March 20, 2020.

6. The Trustee is in the process of finalizing Form 941 tax returns due from CAH 1 and CAH 3 for the last quarter of 2019 and Form 940 tax returns due from CAH 1 and CAH 3 for the 2019 tax year. The Trustee agrees that signed copies of such returns shall be sent, via overnight mail, to Insolvency Section, Internal Revenue Service, Attn: Debra Harris, 4905 Koger Boulevard, Mail Stop 9, Greensboro, North Carolina 27407, on or before March 20, 2020.

7. To the extent the Trustee determines that a Debtor is not required to file a tax return for a post-petition period, the Trustee shall provide the IRS with a tax return for such period reflecting zero tax owed and provide signed copies of such "zero-tax return," via overnight mail, to Insolvency Section, Internal Revenue Service, Attn: Debra Harris, 4905 Koger Boulevard, Mail Stop 9, Greensboro, North Carolina 27407, on or before March 20, 2020.

Post-Petition Delinquent Federal Taxes

8. The Trustee agrees that the delinquent post-petition taxes set forth in Claim No. 81-1 made against CAH 1, plus interest and penalty through to the date of payment, shall be paid in full from the proceeds of the sale of CAH 1's assets, including, without limitation, Washington County Hospital. Such payment shall be made by check payable to the "Internal Revenue Service" and make reference in the memo line to CAH 1 and the tax periods in question. The check shall be mailed, via overnight mail, Insolvency Section, Internal Revenue Service, Attn: Debra Harris, 4905 Koger Boulevard, Mail Stop 9, Greensboro, North Carolina 27407.

9. The Trustee agrees that the delinquent post-petition taxes set forth in Claim No. 69-1 made against CAH 3, plus interest and penalty through to the date of payment, shall be paid in full from the proceeds of the sale of CAH 3's assets, including, without limitation, Horton Community Hospital. Such payment shall be made by check payable to the "Internal Revenue Service" and make reference in the memo line to CAH 3 and the tax periods in question. The check shall be mailed, via overnight mail, to Insolvency Section, Internal Revenue Service, Attn: Debra Harris,

4905 Koger Boulevard, Mail Stop 9, Greensboro, North Carolina 27407.

10. The Trustee is in the process of finalizing Form 941 tax returns due from CAH 1 and CAH 3 for the last quarter of 2019 and Form 940 tax returns due from CAH 1 and CAH 3 for the 2019 tax year and will mail the originally signed returns, via overnight mail, to Insolvency Section, Internal Revenue Service, Attn: Debra Harris, 4905 Koger Boulevard, Mail Stop 9, Greensboro, North Carolina, North Carolina 27407, on or before March 20, 2020.

11. The parties agree that a failure of the Trustee to comply with any term of this Consent Order shall constitute default under the terms of this Consent Order and the IRS may bring the matter before the Court on 14 days' notice where the Court may consider conversion, dismissal, or other appropriate sanctions.

CONSENTED TO AND ACCEPTED:

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CHAPTER 11 TRUSTEE

No Objection

U.S. BANKRUPTCY ADMINISTRATOR

/s/ Marjorie K. Lynch

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